



**KIKO**  
MILANO

**ORGANISATION,  
MANAGEMENT AND  
CONTROL MODEL**

**GENERAL SECTION**

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**1. ITALIAN LEGISLATIVE DECREE NO. 231 OF 8 JUNE 2001 GOVERNING THE ADMINISTRATIVE LIABILITY OF LEGAL PERSONS, COMPANIES AND ASSOCIATIONS, INCLUDING THOSE WITHOUT LEGAL PERSONALITY**

**1.1 Administrative Liability of Legal Persons**

Legislative Decree No. 231 of 8 June 2001, implementing Delegated Law No. 300 of 29 September 2000, was introduced in Italy to govern *“the administrative liability of legal persons, Companies and associations, including those without legal personality”* (hereinafter referred to as **“Legislative Decree 231/2001”** or the **“Decree”**).

Legislative Decree 231/2001 therefore establishes a system of administrative liability for legal entities (hereinafter referred to as the **“Entity/Entities”**), which is in addition to the liability of the natural person (better identified in paragraph 1.2) who is the actual perpetrator of the offence and which aims to involve, in the punishment of the offence, the Entities in whose interest or to whose advantage the offence was committed. This administrative liability applies only to offences strictly listed in the same Legislative Decree 231/2001.

**1.2 Persons Subject to Legislative Decree 231/2001**

The persons who, by committing an offence in the interest or for the benefit of the Entity, may give rise to its liability, are listed below:

- a) natural persons holding senior positions (representing, administering or managing the Entity or one of its organisational units with financial and functional autonomy, or persons who, in practice, exercise management and control, hereinafter referred to as **“Senior Management”**);
- b) natural persons managed or supervised by a member of Senior Management (hereinafter referred to as **“Subordinates”**), including *“workers who, although not employees of the Entity, have a relationship with it such as to suggest that there is a duty of supervision on the part of the Entity’s senior management: for example, agents, partners in joint ventures, so-called quasi-subordinates in general, distributors, suppliers, consultants, collaborators”*.

However, it should be reiterated that the Entity is not liable, by express provision of law (Article 5, paragraph 2 of the Decree), if the aforementioned persons acted in their own exclusive interest or in the interest of third parties. In any case, their conduct must be attributable to that “organic” relationship whereby the acts of the natural person can be ascribed to the Entity.

**1.3 Predicate Offences**



The Decree refers to the following types of offences (hereinafter also referred to as "**Predicate Offences**"), for which details can be found in Annex 1 – *Relevant offences and administrative crimes pursuant to Legislative Decree 231/2001*:

Offence Categories as per 231	Applicability to KIKO S.p.A.
Offences in dealings with Public Administration	Yes
Cybercrime and unlawful data processing	Yes
Organised crime offences	Yes
Counterfeiting of currency, public credit cards, revenue stamps and means or proof of identification	Yes
Crimes against industry and commerce	Yes
Corporate offences	Yes
Crimes committed for the purposes of terrorism or the subversion of democratic order	Yes
Transnational offences	Yes
Female genital mutilation practices	No
Crimes against the person	Yes
Market abuse	Yes
Manslaughter and serious or very serious culpable injuries, committed in violation of occupational health and safety regulations	Yes
Receiving stolen goods, money laundering and use of money, goods or benefits of illegal origin, as well as self-laundering	Yes
Offences relating to non-cash payment instruments and fraudulent transfers of value	Yes
Offences relating to copyright infringement	Yes
Inducement not to make statements or to make false statements to the judicial authorities	Yes
Environmental offences	Yes
Employment of third-country nationals with irregular status	Yes
Racism and xenophobia	Yes
Fraud in sporting competitions, illegal gambling or betting, and gambling using prohibited devices	No
Tax offences	Yes
Smuggling (including offences relating to excise duties)	Yes
Crimes against cultural heritage	Yes
Laundering of cultural property, and devastation and looting of cultural and landscape assets	No
Crimes against animals	Yes

#### 1.4 Sanctions under Legislative Decree 231/2001

Legislative Decree 231/2001 provides for the following types of sanctions applicable to entities subject to the legislation:

- a) administrative fines;
- b) disqualification sanctions;
- c) confiscation of the proceeds or profits of the offence;
- d) publication of the conviction.

- a) **Administrative fines**, governed by Articles 10 et seq. of the Decree, are the “primary” sanction and must be imposed where applicable. The Entity is responsible for paying a fine with its assets or mutual funds.

The Legislature has adopted an innovative criterion for determining sanctions, requiring the Judge to carry out two separate and successive assessments.

More specifically, the first assessment requires the Judge to determine the number of units (in any case, no fewer than one hundred and no more than one thousand), taking into account:

- the seriousness of the offence;
- the degree of responsibility of the Entity;
- the actions taken to eliminate or mitigate the consequences of the incident and to prevent further offences from being committed.

During the second assessment, the Judge determines the value of each unit, within the minimum and maximum values established for the relevant offences, from a minimum of €258.00 to a maximum of €1,549.00. This amount is set “on the basis of the Entity’s economic condition and assets in order to ensure that the penalty is effective” (Articles 10 and 11, paragraph 2 of Legislative Decree 231/2001).

Article 12 of Legislative Decree 231/2001 provides for a series of cases in which pecuniary sanctions are reduced. These are summarised in the following table, which indicates the reduction applied and the conditions required for said reduction.

1/2 (and not exceeding €103,291.00)	<ul style="list-style-type: none"> <li>The perpetrator committed the offence primarily in their own interest or that of third parties <u>and</u> the Entity did not gain any advantage or gained only a minimal advantage; <u>that is</u></li> <li>the financial damage caused is particularly minor.</li> </ul>
1/3 to 1/2	<p>[Prior to the formal commencement of first-instance proceedings]</p> <ul style="list-style-type: none"> <li>The Entity has provided full compensation for the damage and eliminated all harmful or dangerous consequences of the offence, or has in any case taken effective measures to that end; <u>that is</u></li> <li>an organisational model suitable for preventing offences of the type that occurred has been implemented and made operational.</li> </ul>
1/2 to 2/3	<p>[Prior to the formal commencement of first-instance proceedings]</p> <ul style="list-style-type: none"> <li>The Entity has provided full compensation for the damage and eliminated all harmful or dangerous consequences of the offence, or has in any case taken effective measures to that end, and;</li> <li>an organisational model suitable for preventing offences of the type that occurred has been implemented and made operational.</li> </ul>

- b) The following **disqualification sanctions** are provided for by the Decree and apply only in relation to the offences for which they are expressly established:

- disqualification from carrying out business activities;
- suspension or revocation of authorisations, licences or concessions instrumental to the commission of the offence;
- prohibition on entering into contracts with Public Administration, except for obtaining public services;
- exclusion from benefits, funding, grants and subsidies, and/or the revocation of any that may already have been granted;
- prohibition on advertising goods or services.

In order for disqualification sanctions to be imposed, at least one of the conditions set out in Article 13 of Legislative Decree 231/2001 must be met, namely:

*“the Entity derived significant profit from the offence and the offence was committed by persons in senior positions or by persons subject to the direction of others when, in this case, the commission of the offence was caused or facilitated by serious organisational deficiencies”; or “in the event of repeated offences”.*

Furthermore, disqualification sanctions may also be requested by the Public Prosecutor and applied to the Entity by the Judge as a precautionary measure, when:

- there is serious evidence to suggest that the Entity is liable for an administrative offence relating to a crime;
- there are well-founded and specific grounds indicating a serious risk that the offences currently under prosecution will be committed again;
- the Entity made a significant profit.

In any case, disqualification sanctions shall not be applied when the offence was committed in the prevailing interest of the perpetrator or third parties and the Entity derived minimal or no benefit from it, or when the financial damage caused is particularly minor.

The application of disqualification sanctions is also excluded should the Entity have implemented the remedial measures provided for in Article 17 of Legislative Decree 231/2001 and, more specifically, when the following conditions are met:

- *“the Entity has provided full compensation for the damage and eliminated all harmful or dangerous consequences of the offence, or has in any case taken effective measures to that end”;*
- *“the Entity has eliminated the organisational shortcomings that led to the offence by adopting and implementing organisational models suitable for preventing offences of the type that occurred”;*
- *“the Entity has made the profits obtained available for confiscation”.*

Disqualification sanctions have a duration of no less than three months and no more than two years, and the choice of type and duration is made by the Judge according to the criteria previously indicated for the determination of pecuniary sanctions, *“taking into account the suitability of each individual sanction in preventing offences of the type committed”* (Article 14, Legislative Decree 231/2001). Pursuant to Article 19 of Legislative Decree 231/2001, the conviction shall always be accompanied by **confiscation** – including by equivalent value – of the proceeds (money or other economic benefit given or promised to induce or cause another person to commit the offence) or profits (immediate economic benefit gained) from the offence, except for a portion that may be returned to an injured party and without prejudice to rights acquired by third parties in good faith.

- c) When a disqualification sanction is imposed, the Judge may order that the **conviction be published** in one or more newspapers, in extract or in full, as well as posted in the municipality where the Entity has its headquarters. Such publication is carried out by the Registry of the competent court and at the expense of the Entity.

## 1.5 Exemptions

Articles 6 and 7 of Legislative Decree 231/2001 establish specific cases in which the Entity would be exempt from administrative liability for offences committed in the interest or to the advantage of the Entity itself, both by Senior Management and Subordinates (as defined in paragraph 1.2 above).

In particular, in the case of offences committed by Senior Management, Article 6 of the Decree provides for exemption if the Entity itself demonstrates that:

- a) the governing body adopted and effectively implemented, prior to the commission of the act, an organisational, management and control model suitable for preventing offences of the type that occurred (hereinafter referred to as the "**Model**");
- b) the task of supervising the functioning of and compliance with the Model, as well as keeping it up to date, has been entrusted to a body within the Entity (hereinafter referred to as the "**Supervisory Body**" or "**SB**"), which has autonomous powers of initiative and monitoring;
- c) the persons who committed the offence acted by fraudulently circumventing the Model;
- d) there was no omission or insufficient supervision on the part of the Supervisory Body.

With regard to Subordinates, Article 7 of the Decree provides for exemption from liability if, prior to the commission of the offence, the Entity has adopted and effectively implemented a Model suitable for preventing offences of the type that occurred.

However, the Entity's exemption from liability is not determined by the mere adoption of the Model, but rather by its effective execution through the implementation of all procedures and monitoring necessary to limit the risk of the commission of offences that the Entity intends to prevent. Regarding the characteristics of the Model, Article 6, paragraph 2 of the Decree expressly provides for the following preparatory steps for its correct implementation:

- identification of activities in relation to which crimes may be committed;
- provision of specific procedures to plan the training and implementation of the Entity's decisions regarding the offences to be prevented;
- identification of processes for managing financial resources fit for preventing the commission of such offences;
- establishment of disclosure obligations to the Supervisory Body;
- introduction of a disciplinary system suitable for sanctioning non-compliance with the measures indicated in the Model.

## 1.6 Events Affecting the Entity

Articles 28 to 33 of Legislative Decree 231/2001 govern the effect of corporate transactions (reorganisations, mergers, demergers, business transfers/contributions in kind) on the administrative liability of the Entity.

- In the event of a **reorganisation**, the original entity remains liable for offences committed prior to this.
- In the event of a **merger**, the resulting entity is liable for offences attributable to the participating entities.
- In the event of a **partial** demerger, the newly separated entity remains liable for offences committed prior; the beneficiary entities are jointly and severally liable for the payment of pecuniary sanctions within the limits of the net assets transferred to the individual beneficiary, unless the business unit within which the

offence was committed is transferred to the latter (in which case the limit does not apply). Disqualification sanctions apply to the entities in which the relevant business unit has remained or to which it has been transferred, even partially.

If the merger or demerger takes place before the conclusion of the proceedings, the judge may take into account the financial circumstances of the original entity when determining the pecuniary sanction. The judge may also convert a disqualification sanction into a pecuniary sanction if the entity has eliminated the organisational cause of the offence and repaired the damage/made the profits available for confiscation. Article 32 allows the judge to consider any previous convictions of the participating entities for the purposes of recidivism.

For **transfers or contributions of kind** (Article 33), the transferee is jointly and severally liable for the payment of pecuniary sanctions related to offences committed in the transferred business, with limitations (e.g. prior enforcement against the transferor; liability of the transferee limited to the value of the transferred business and to the obligations of which the transferee was aware). The disqualification sanctions imposed on the transferor are not transferred to the transferee.

### **1.7 Offence Assessment Procedure**

The administrative liability of the entity for the offence is established in criminal proceedings. Pursuant to Article 36 of Legislative Decree 231/2001, the criminal court with jurisdiction over the offence will also assess the offence committed by the entity, applying the same procedural rules.

To ensure efficiency and consistency, Article 38 provides that proceedings against the entity shall be combined, where possible, with those against the natural person who committed the offence. However, the same article allows for the separation of proceedings in specific cases.

The entity participates in the proceedings through its legal representative, but if the latter is charged, they cannot appoint the entity's defence counsel due to incompatibility, as established by Article 39.

### **1.8 Corporate Groups and Legislative Decree 231/01**

It is important to consider the regulations governing groups and, above all, how Legislative Decree 231/01 applies to a group of companies.

The legislature does not expressly identify "corporate groups" among those assigned criminal-administrative liability; despite the absence of clear legislative references, case law on the matter has sought to extend the concept of liability among companies belonging to a group by incorporating the notion of "group interest" for the purposes of applying Legislative Decree 231/01.

However, it should be noted that a generic reference to the group is not in itself sufficient to establish the liability of the parent company or of a company belonging to the group. The interest must be direct and immediate, and the mere presence of management and coordination activities by one company over another is not in itself sufficient for both to be liable under Legislative Decree 231/01.

The parent company or other companies in the group may be held liable pursuant to Legislative Decree 231/01 for offences committed within other companies in the group, provided that the offence is committed with the "collaboration" of a natural person (a legal and/or de facto senior manager) acting on behalf of the parent company or other companies in the group, pursuing the interests of the latter.

Group interest applies when the parent company influences the choices of the subsidiary through the active contribution of its representatives in the material commission of the offence attributable to the subsidiary and in the event that a senior manager or subordinate of the subsidiary commits an offence within the parent

company.

In conclusion, the parent company is tasked with defining a unified strategy that fully respects the self-determination rights of the various companies within its scope, which will also be responsible for operational decisions, including those relating to the definition of principles of conduct and control protocols for the purpose of preventing the potential commission of offences under Decree 231/01.

Finally, it should be noted that liability pursuant to Legislative Decree 231/01 may also arise in cases involving companies belonging to the same group, where one company provides services to another company in the group, provided that the elements described above are present, with particular reference to complicity in the criminal offence in question.

## **1.9 Intragroup Transactions**

Based on the current business and organisational model of the Kiko Group, the parent company KIKO S.p.A. performs certain services for its Subsidiaries.

These activities are carried out under contracts that formally regulate the provision of intercompany services, defined in accordance with specific control protocols for the sensitive "Management of intra-group transactions", ensuring transparency regarding the objects of the services provided and the related fees.

These contracts include specific clauses whereby the parties declare that they are aware of and undertake to comply with the principles contained in Legislative Decree 231/01 and the Code of Ethics in the performance of their activities, as well as clauses that grant Companies the right to terminate the contracts in question should these obligations be violated.

The specific compliance protocols for sensitive activities defined in this Model must be followed both when performing such activities on one's own behalf and when providing services to other Group companies.





## 2. This Model

### 2.1 KIKO S.p.A.

KIKO S.p.A. (hereinafter, the “**Company**” or “**KIKO**”) is an Italian Company offering a line of professional make-up and skincare products, whose corporate purpose is, inter alia:

- a) *“the production and trade, wholesale and retail, both locally and remotely, by mail order and electronically via e-commerce, of cosmetic products in general, perfumery products and fashion jewellery, personal care and hygiene items and gift items, including those made of precious metals, as well as textiles and clothing in general, footwear and leather goods, sporting goods and clothing accessories”;*
- b) *“the provision, organisation and management, on its own behalf and on the behalf of others, of technical and commercial services for companies, associations, entities and private individuals, the organisation and planning of production, the management and planning of investments, data processing, consulting, market research and the preparation of feasibility studies in the real estate and commercial sectors in general, with the exception of activities reserved by law to members of professional associations, and auditing and trust Companies”.*

The Company may also:

- carry out, both in Italy and abroad, any other commercial, industrial, movable and immovable property transactions connected with the company's business that the administrative body deems necessary or useful for the achievement of the company's purpose;
- acquire, either directly or indirectly, interests and shareholdings in other companies with similar or related purposes, take out short-, medium- and long-term loans and grant guarantees and sureties, provide endorsements, allow mortgages to be registered against its properties, including as collateral for third-party obligations.

### 2.2 Purposes of the Model

This Model is based on the Guidelines for constructing organisational, management and control models pursuant to Legislative Decree 231/2001 of Confindustria (the General Confederation of Italian Industry).

The Model developed by KIKO, based on identified areas of potential risk where the likelihood of offences being committed is considered to be higher, aims to:

- set up a prevention and control system aimed at reducing the risk of offences related to its activities being committed;
- make all those who work in the name and on behalf of or in the interests of KIKO – and in particular those involved in “areas at risk of crime” – aware that, in the event of a breach of the provisions contained herein, they may be liable to criminal and administrative penalties, not only against themselves but also against the Group;
- inform all those who work with KIKO that violation of the provisions contained in the Model will result in the application of appropriate sanctions or the termination of the contractual relationship;
- confirm that KIKO does not tolerate unlawful conduct of any kind, regardless of the purpose, and that, in any case, such conduct (even if KIKO were apparently in a position to benefit from it) is contrary to the principles that inspire the Group's activities.

## 2.3 Construction of the Model

Based also on the indications contained in the Guidelines, the construction of the Model (and the subsequent drafting of this document) was divided into the phases set out below:

- preliminary examination of the corporate context through analysis of relevant company documentation (e.g. Articles of Association, procedures and policies, system of delegations and powers of attorney, etc.) and interviews with KIKO managers familiar with the structure and activities of the company, in order to define the organisation and activities carried out by the various organisational units/functions, as well as examination of the processes into which the activities are organised, and their concrete and effective implementation;
- identification of areas of activity and business processes that are “at risk” or “instrumental” to the commission of crimes, carried out on the basis of the aforementioned preliminary examination of the corporate context (hereinafter referred to collectively as “**Areas at Risk of Crime**”);
- hypothetical definition of the main possible ways in which Predicate Offences may be committed within individual Areas at Risk of Crime;
- detection and identification of the Company's control system aimed at preventing the commission of Predicate Offences.

### 2.3.1 Model Structure and Predicate Offences Relevant to Its Construction

KIKO has sought to develop a Model that takes into account its specific circumstances and organisational structure, consistent with its governance system and capable of enhancing existing controls and bodies.

The Model therefore represents a coherent set of principles, rules and provisions that:

- affect the internal operation of the Company and the ways in which it interacts with the outside world;
- govern the diligent management of a control system for Areas at Risk of Crime, aimed at preventing the commission, or attempted commission, of the offences referred to in the Decree.

In particular, the KIKO Model consists of a “**General Section**” containing its key principles and a “**Specific Section**” relating to the various risk areas identified and mapped during the preparation of this document. It is understood that the individual risk areas are linked to the categories of offences provided for by Legislative Decree 231/2001 and deemed relevant to the Company.

The Specific Section contains a brief description of the offences that may give rise to administrative liability on the part of the Company, an indication of the identified Areas at Risk of Crime, a description of the main

methods of committing the relevant offences with reference to each Area at Risk of Crime, as well as the general rules of conduct and control measures implemented by the Company, which the Recipients of the Model (as defined in paragraph 2.5.1) must comply with in order to prevent the commission of such offences.

The Company and Supervisory Body appointed pursuant to this Model periodically assess the completeness of the Model and its ability to prevent offences in consideration of the actual activities carried out by the Company and, should they find that certain cases not included in the above list (see paragraph 1.1 – Predicate Offences) have in the meantime become relevant to the Company, promote the timely updating of the Model.

In any case, the ethical principles underpinning the KIKO Model and its governance structure are also aimed at preventing, in general, those types of offences which, due to their minor significance or relevance to the Company's activities, are not specifically provided for in the Specific Section of this Model.

### 2.3.2 Model Adoption and Subsequent Updates

The adoption of this Model is delegated by the Decree itself to the governing body (and in particular to the Board of Directors), which is also responsible for the integration of this Model.

The Board of Directors shall decide on Model updates and adaptations in relation to any amendments and/or additions that may be necessary as a result of, for example:

- changes to the Company's organisational structure and/or the manner in which business activities are conducted;
- changes in the context and business model such as to make categories of offences that were not previously considered as such now relevant;
- regulatory changes;
- results of supervisory checks;
- significant breaches of the provisions of the Model.

In the event that changes of a purely formal nature are necessary, such as clarifications or specifications of the text, the authorised bodies may make them independently, after consulting the SB, reporting them without delay to the Board of Directors.

## 2.4 Documents Related to the Model

The following documents form an integral and substantial part of the Model:

- KIKO Code of Ethics containing the rights, duties and responsibilities of the Model's Recipients (hereinafter referred to as the **"Code of Ethics"**);
- "International Guidelines – Model 231" for overseas companies, provided to all subsidiaries, which define the principles of conduct and common control measures to be adopted in the context of their activities in line with the contents of the Model;
- Code of Conduct for Business Partners containing ethical principles and rules of conduct that supplement the contractual provisions and legal, regulatory and procedural provisions that must characterise the business relationships between KIKO and its Partners;
- disciplinary system and related sanctions to be applied in the event of violation of the Model (hereinafter referred to as the **"Sanctions System"**);
- system of delegations and powers of attorney, as well as all documents aimed at describing and assigning responsibilities and/or duties to those working within the Company in Areas at Risk of Crime (i.e. organisation charts, etc.);
- system of procedures, policies and internal controls designed to ensure adequate transparency and

awareness of decision-making and financial processes, as well as the conduct required of the Recipients of this Model operating in Areas at Risk of Crime. It should be noted that specific Policies are in place to combat corruption and regulate relationships with third parties, including Public Administration.

(Hereinafter, the system of delegations and powers of attorney, the procedures and internal controls mentioned above will be collectively referred to as the **"Procedures"**).

Hence the term Model refers not only to this document, but also to all additional documents and Procedures that will subsequently be adopted in accordance with the provisions herein and that will pursue the objectives set forth herein.

## **2.5 Dissemination of the Model**

### **2.5.1 Recipients**

This Model takes into account the specific organisational and operational structure of KIKO, and is a valuable tool for raising awareness among and providing information to Senior Management and Subordinates (hereinafter referred to as the **"Recipients"**).

All this is to ensure that the Recipients, in carrying out their activities, behave in a correct and transparent manner in line with the ethical and social values that inspire the Company when pursuing its purpose and, in any case, in such a way as to mitigate the risk of the offences provided for in the Decree being committed.

In any case, the relevant corporate functions shall ensure that the principles and rules of conduct contained in the Model and KIKO Code of Ethics are incorporated into the Company's Procedures.

It is KIKO's objective to ensure that the Recipients have a proper understanding of the content of the Decree and the obligations arising therefrom.

### **2.5.2 Staff Training and Information**

For the effective implementation of this Model, training and information for Recipients is managed by the Company's Global Audit department.

In particular, all Recipients are notified of Model adoption and any subsequent updates via dedicated organisational communications. The document is then distributed and made available in its entirety for consultation through publication on the company intranet, together with related documents.

Specific training activities are also planned. This continued training is compulsory and is delivered via the e-learning platform and paper documents. Training activities vary in terms of content and delivery depending on the status of the Recipients, the level of risk in the area in which they operate, and whether or not they represent the Company.

### **2.5.3 Information for Third Parties and Dissemination of the Model**

KIKO also provides for the dissemination of the Model to persons who have collaborative relationships with it without being employed by it, such as consultants, agents, commercial representatives and others who provide professional services, whether on a continuous or occasional basis, that are not of an employed nature (including its recipients and consultants) (hereinafter **"Third Parties"**).

The Company also invites Third Parties to review the contents of the Code of Ethics and the General Section of the Model available on its website.

The contractual texts and/or general terms and conditions for the supply of goods and services include specific clauses aimed at informing counterparties of KIKO's adoption of the Organisation, Management and Control Model and binding third parties to comply with the principles contained therein.

These clauses also provide KIKO with the right to terminate the contract in the event of a breach of the obligations arising from the Model.



### 3. KIKO's Governance Model and General Organisational Structure

KIKO has implemented dedicated general controls applicable in all Areas at Risk of Crime. Specifically, these are as follows:

- Company regulatory documents: the set of company rules governing processes must be consistent with the operations carried out and the level of organisational complexity, and must be such as to ensure the necessary controls to prevent the commission of the offences provided for in the Decree;
- Powers and responsibilities: roles and responsibilities must be clearly defined, consistent with the organisation, with the defined processes and with the system of powers (internal and external) adopted, and must be communicated and known within the company;
- Separation of duties and responsibilities: no single individual can independently manage an entire process or be granted unlimited powers; authorisation and signing powers must be defined in a manner consistent with the organisational responsibilities assigned;
- Traceability and archiving: every operation/transaction/action, as well as the related verification and control activities, must be documented, and the documentation must be properly archived or, in any case, easily retrievable.

#### 3.1 KIKO's Governance Model

KIKO is an Italian *Società per azioni* (joint-stock Company) with an international presence, offering a range of professional make-up and skincare products, including through Subsidiaries, all of which are part of the same Group (hereinafter the "**Group**").

KIKO adopts a multi-channel business model that combines directly managed and franchised stores with digital and service channels, including e-commerce and omni-channel initiatives, to ensure diversified access to products and an integrated customer experience.

KIKO is managed by a Board of Directors consisting of nine members and has appointed a Chief Executive Officer who has been granted broad powers of representation with specific spending limits.

Furthermore, the Company has granted powers to legal representatives for the purpose of carrying out corporate activities.

The Company has appointed a Board of Statutory Auditors, consisting of three standing members and two alternate members, as well as an independent auditing Firm.



The Company has also established a Risk and Control Committee, composed of three non-executive members of the Board of Directors and a secretary, with the task of ensuring the effectiveness of the internal control system and risk management.

Finally, KIKO has a Global Audit Department, which carries out its activities in an objective and independent manner and pursues the mission of supporting the Company's management through effective, systematic and disciplined analysis and supervision of processes with a view to manage risk, internal controls and governance, including the risks associated with Legislative Decree 231/2001. In order to fulfil its mission, the department shares audit reports with the findings that have emerged and carries out checks on the recommendations proposed. The Global Audit department oversees and analyses the Company's processes, elements and areas in order to ensure the reliability of financial and operational information, the effectiveness and efficiency of processes, compliance with internal regulations and procedures, and the safeguarding of KIKO's resources.

In addition, the Head of Global Audit acts as secretary to the Risk and Control Committee and participates in the Supervisory Body as an internal member, actively contributing to the oversight of the control and compliance models required by Legislative Decree 231/2001.

### **3.2 Internal Control System Implemented by the Company**

The Company has adopted a structured internal control system consistent with the principles of fairness, transparency and responsibility that inspire its activities. This system is based, in particular, on the following instruments:

- a) Code of Ethics
- b) Code of Conduct for Business Partners
- c) International Guidelines – Model 231
- d) Delegations and powers of attorney
- e) Audit procedures aligned with legislative requirements
- f) Tax Control Framework
- g) Operating policies and procedures
- h) IT systems ensuring the separation of operational roles
- i) Company intranet
- j) Internal organisation with clearly defined roles
- k) Sanctions system

Each organisational unit is responsible for the effective functioning of the internal control system in relation to the processes for which it is responsible.

### **3.3 Whistleblowing**

In accordance with the provisions of Article 6, paragraph 2-bis of Legislative Decree 231/2001, the Recipients of the Model who, in the execution of their activities, come into possession of information relating to unlawful conduct pursuant to Legislative Decree 231/2001 and/or conduct in violation of the rules and principles contained in the Model and related Procedures and in the Code of Ethics, may make detailed reports based on precise and consistent facts (hereinafter "**Reports**").

It should also be noted that in the event of a report or complaint made within the limits set out in Article 6, paragraph 2-bis of Legislative Decree 231/2001, the pursuit of the Company's integrity and the prevention and repression of embezzlement constitutes just cause for the disclosure of information covered by the obligation of secrecy referred to in Articles 326, 622 and 623 of the Criminal Code and Article 2105 of the Civil Code.

In this context, the introduction of Legislative Decree 24/2023 reinforces and supplements the provisions of Legislative Decree 231/2001 on whistleblowing reports, extending protections for whistleblowers and providing specific tools to better structure the whistleblowing process.

In order to implement the provisions introduced by the legislation, the Company has adopted whistleblowing regulations (e.g. "CP AUD 001 – *Whistleblowing*" procedure) to define the governance of managing said processes and the operating procedures involved.

KIKO promotes a corporate culture based on ethics, legality and transparency, guaranteeing maximum protection for those who report illegal behaviour or conduct that does not comply with company principles. Reports may be made, even anonymously, by employees, associates, suppliers, consultants and business partners who, in the course of their work, become aware of any violations of Model 231, the Code of Ethics, company policies and procedures, or other applicable regulations.

The Company guarantees the confidentiality of the whistleblower's identity and the information contained in the report, as well as protection from any form of retaliation, discrimination or penalisation, in accordance with current legislation.

Pursuant to Article 3 of Legislative Decree 24/2023, protection against retaliation shall also apply in cases where the whistleblowing is carried out i) when the legal employment relationship has not yet commenced, if the information on the violations was acquired during the selection process or at other pre-contractual stages; ii) during the probationary period; iii) after the termination of the legal relationship if the information on the violations was acquired during the relationship itself.

Reports may be made in the following alternative ways:

- through the following dedicated channel: <https://kikomilano.whistlelink.com/>
- by sending an email to: [whistleblowing@kikocosmetics.com](mailto:whistleblowing@kikocosmetics.com)

which, as required by Article 6, paragraph 2-bis, subsection a) of Legislative Decree 231/2001, are suitable for guaranteeing the confidentiality of the whistleblower's identity.

The department responsible for receiving and managing reports is the Global Audit Department, which has the following responsibilities:

- ensuring the organisation and maintenance of whistleblowing channels;
- independently conducting the preliminary investigation of the report received;
- keeping the Chief Executive Officer, Chief Corporate Officer and General Counsel informed of the progress of the investigation;
- communicating the final results of the investigations carried out to all corporate bodies, including the Risk Management Committee, the Board of Statutory Auditors and the Supervisory Body (hereinafter "SB");
- conducting regular campaigns to raise awareness of the channel at all levels of KIKO.

In order to encourage the use of internal whistleblowing systems and promote a culture of legality, the Company ensures timely information and clear, accurate and complete explanations of the internal whistleblowing procedure adopted. This commitment is aimed at ensuring that all employees and individuals who collaborate with the Company are familiar not only with the operating procedures, but also with the objectives and spirit with which whistleblowing must be carried out.



## **4. THE SUPERVISORY BODY**

### **4.1. Characteristics of the Supervisory Body**

According to the provisions of Legislative Decree 231/2001 (Articles 6 and 7), as well as the directions contained in the Confindustria Guidelines, the characteristics of the Supervisory Body – such as to ensure the effective and efficient implementation of the Model – must be:

#### **a) Autonomy and Independence**

Autonomy and independence are fundamental to ensure that the SB is not directly involved in the management activities under its scrutiny and, therefore, is not subject to influence or interference from the governing body.

These requirements can be met by ensuring that the SB has the highest possible hierarchical position and by providing for reporting at the highest operational level of the company, i.e. the Board of Directors. For the purposes of independence, it is also essential that the SB is not assigned any management tasks, which would compromise the objectivity of its judgement with regard to verifying conduct and the effectiveness of the Model.

#### **b) Professionalism**

The SB must possess technical and professional skills appropriate to the functions it is tasked with performing. These characteristics, combined with independence, guarantee objectivity of judgement.

#### **c) Continuity of Action**

The SB must:

- carry out, on an ongoing basis, including through internal company functions, the activities necessary for the supervision of the Model with adequate commitment and the necessary investigative powers;
- report to the Company, acting with due continuity in its supervisory activities with adequate commitment and supervisory powers.

To ensure that the above requirements are effectively met, it is appropriate that these individuals possess, in addition to the professional skills described, the formal subjective requirements that further guarantee the

autonomy and independence required by the task (e.g. integrity, absence of conflicts of interest and family ties with corporate bodies and top management, etc.).

#### **4.2. Identification of the Supervisory Body**

KIKO's SB is appointed by the Board of Directors as a collegial body that guarantees the autonomy of controls from any form of interference and/or influence by any member of the organisation, while ensuring sufficient continuity of action and, overall, allowing the requirement of professionalism to be met in relation to the various categories of Predicate Offences.

#### **4.3. Assignment Duration and Grounds for Termination**

The Supervisory Body remains in place for the term specified in the deed of appointment, which may be renewed.

The termination of the SB's appointment may occur for one of the following reasons:

- end of the assignment;
- revocation of the Body by the Board of Directors;
- resignation of a member, formalised by means of a dedicated written communication sent to the Board of Directors;
- occurrence of one of the causes of forfeiture referred to in paragraph 4.4.

The SB may only be revoked for just cause, which shall include, by way of example, the following cases:

- in the event that a member is involved in criminal proceedings concerning the commission of a Predicate Offence;
- in the event of a breach of the confidentiality obligations incumbent upon the SB;
- in the event of conflicts of interest, including potential conflicts, with the Company that could compromise the independence required by the role and duties of the Supervisory Body. Conflicts of interest may include:
  - a) significant business dealings with KIKO, its parent company or its Subsidiaries or affiliates, except for employment relationships;
  - b) significant business relations with the Chairperson or directors with delegated powers (executive directors);
  - c) relationships with or being part of the family unit of the Chairperson or executive directors, where family unit is understood to mean a spouse who is not legally separated, relatives and relatives by marriage up to the third degree;
  - d) owning direct (or indirect) shares in the Company's capital to an extent that allows them to exercise significant influence over the Company;
  - e) serious negligence in the performance of duties related to the position.

Revocation is ordered by decision of the Board of Directors, subject to the binding opinion of the Company's Board of Statutory Auditors.

In the event of expiry, revocation or resignation, the Board of Directors shall appoint a new SB member without delay, while the outgoing member shall retain the position until replaced.

#### **4.4. Cases of Ineligibility and Forfeiture**

The following constitute grounds for ineligibility and/or forfeiture for SB members:

- a) disqualification, incapacitation, bankruptcy or, in any case, criminal conviction, even if not final, for one of the offences provided for in the Decree or, in any case, with a penalty involving disqualification, even temporary, from public office or the inability to hold managerial positions;
- b) the existence of family relations, marriage or kinship up to the fourth degree with a member of the Company's Board of Directors or Board of Statutory Auditors.

Where any of the above grounds for ineligibility apply to a nominated person, that person shall automatically be disqualified.

In the event that employees of the Company are members of the Supervisory Body, termination of their employment relationship shall also entail forfeiture of their position.

In order to ensure the necessary stability of the Supervisory Body, the revocation of the powers of the Supervisory Body and the attribution of such powers to another entity may only take place for just cause, including in connection with the organisational restructuring of the Company, by means of a specific resolution of the Board of Directors and after consultation with the Board of Statutory Auditors.

In this regard, "just cause" for revocation of the powers associated with being a member of the Supervisory Body may include, by way of example only:

- a final conviction of the Company pursuant to the Decree or a final plea bargain agreement, where the records show "omitted or insufficient supervision" by the Supervisory Body, in accordance with the provisions of Article 6, paragraph 1, subsection d) of the Decree;
- breach of the confidentiality obligations to which the SB is bound;
- the assignment of operational functions and responsibilities within the company organisation that are incompatible with the requirements of "autonomy and independence" and "continuity of action" specific to the Supervisory Body.

In particularly serious cases, the Board of Directors may, after consulting with the Board of Statutory Auditors, suspend the powers of the Supervisory Body and appoint an interim SB.

#### **4.5. Functions, Tasks and Powers of the Supervisory Body**

In accordance with the provisions of the Decree and Guidelines, the function of the Supervisory Body is generally as follows:

- monitoring the effective application of the Model in relation to the various types of offences covered by it;
- verifying the efficacy of the Model and its ability to prevent the commission of the offences in question;
- verifying the continued adequacy and effectiveness of the Model over time;
- identifying and proposing to the Board of Directors updates and amendments to the Model itself in relation to changes in legislation or changes in company needs or conditions. And, in particular, recommending when additions to the Specific Section are required in order to better prevent the commission of Predicate Offences that have since become relevant to KIKO;
- verifying that the proposed updates and amendments submitted to the Board of Directors have been effectively incorporated into the Model.

Within the scope of the function described above, the SB is responsible for the following tasks:

- periodically checking the map of Areas at Risk of Crime and the adequacy of control points to allow for their updating in line with changes in the company's activities and/or structure. To this end, Recipients of

the Model, as described in more detail in its Specific Sections, must report to the SB any situations that could expose KIKO to the risk of criminal offences. All communications must be made in writing and sent to the SB's dedicated email address;

- periodically carrying out, on the basis of the SB's previously established plan of activity, targeted checks and inspections on specific operations or acts carried out within the Areas at Risk of Crime;
- collecting, processing and storing information (including the Reports referred to in paragraph 4.7) relevant to compliance with the Model, as well as updating the list of information required by the SB;
- conducting internal investigations to ascertain alleged violations of the provisions of this Model, brought to the SB's attention by specific Reports or revealed during the course of its supervisory activities;
- verifying that elements provided for in the Model for the various types of offences (standard clauses, procedures and related controls, system of delegated powers, etc.) are effectively adopted and implemented, and meet the requirements of Legislative Decree 231/2001, otherwise proposing corrective actions and updates;
- collecting any Reports from any Recipient of the Model regarding: i) any critical issues relating to the measures provided for in the Model; ii) violations of the Model; iii) any situation that may expose the Company to the risk of criminal offences;
- periodically reporting to the relevant department managers any violations of the controls referred to in the Model and/or company procedures or any shortcomings identified during the checks carried out, so that they can take the necessary corrective action, involving the Board of Directors where necessary;
- overseeing the consistent application of sanctions provided for by internal regulations in cases of violation of the Model, without prejudice to the competence of the governing body for the application of sanctions;
- detecting any behavioural deviations that may emerge from the analysis of information flow and from the Reports that Recipients of the Model are required to submit.

The Supervisory Body is bound by confidentiality with regard to all information that comes to its knowledge in the course of its duties.

Such information may only be disclosed to the parties and in the manner provided for in this Model.

In order to perform the above functions and tasks, the SB is assigned the following powers:

- accessing various company documents in a comprehensive and widespread manner, particularly those concerning contractual and non-contractual relationships established by the Company with third parties;
- utilising the support and cooperation of the various company structures and corporate bodies that may be interested in, or otherwise involved in, control activities;
- assigning specific consulting and assistance tasks to professionals, including those outside the Company.

#### **4.6. Supervisory Body: Resources**

The Board of Directors assigns the SB the human and financial resources deemed appropriate for the performance of its duties. In particular, the Supervisory Body is granted autonomous spending powers, as well as the authority to enter into, modify and/or terminate professional engagements with third parties possessing the specific skills necessary for the best execution of the task.

#### **4.7 Supervisory Body: Information Flows**

##### **4.7.1. Information Obligations Towards the Supervisory Body**

In order to facilitate the monitoring of the effectiveness of the Model, the SB must be informed, through specific



Reports by Recipients (and, where applicable, Third Parties) of any events that could make KIKO liable pursuant to Legislative Decree 231/2001.

Information flow to the SB can be periodical or triggered by the occurrence of specific events.

In the first case, the following requirements apply:

- Recipients are required to report to the SB any information relating to violations of the Model, as well as any information relating to the commission, or reasonable belief of commission, of offences outlined by Legislative Decree 231/2001 or practices not in line with the procedures and rules of conduct issued or to be issued by KIKO;
- Third Parties are required to report to the SB any violations of the Model, as well as any crimes committed, or reasonably believed to have been committed as per Legislative Decree 231/2001 within the limits of and in accordance with the procedures set out in the contract.

In addition to the periodic Reports described above, information concerning the following must be sent to the SB in a timely manner:

- measures and/or information from judicial police, or any other authority, relating to investigations/proceedings involving KIKO or Recipients of the Model;
- any reports prepared by the heads of other bodies (e.g. Board of Statutory Auditors) and functions within the scope of their control activities, which may reveal facts, acts, events or omissions that are critical in terms of compliance with Legislative Decree 231/2001;
- information relating to disciplinary proceedings, including any sanctions imposed or whether and why the proceedings were dismissed, involving KIKO or the Recipients of the Model, if they are related to the commission of offences or violations of the rules of conduct or procedures of the Model;
- inquiry committees or internal reports/communications indicating the responsibility of KIKO or Recipients of the Model for the offences referred to in Legislative Decree 231/2001;
- organisational changes;
- updates to the system of delegated powers and authorities;
- particularly significant operations carried out in Areas at Risk of Crime;
- changes in Areas at Risk of Crime or potentially at risk;
- any communications from the Board of Statutory Auditors regarding signs of deficiencies in the internal control system, censurable acts or observations on the Company's financial statements;
- declaration of truthfulness and completeness of the information contained in corporate communications;
- copies of the minutes from meetings of the Board of Statutory Auditors concerning possible deficiencies in the internal control system, censurable acts and observations on the Company's financial statements;
- any violations of both the principles of conduct defined in the Guidelines for Overseas Companies and applicable local laws.

The Company has specific information channels dedicated to guaranteeing the confidentiality of the above information and facilitating the flow of Reports and information to the Body via the inbox of [odvkikospa@kikocosmetics.com](mailto:odvkikospa@kikocosmetics.com).

Without prejudice to the above, the SB may – at its discretion – identify and propose to the Board of Directors the establishment of specific periodical flows, with indication of the relevant managers, aimed at obtaining useful information for monitoring the adequacy and effectiveness of the Model, identifying any anomalies or atypicalities found in the available information and proposing the relevant corrective measures.

The SB assesses the Reports received with discretion and responsibility. To this end, it may hear the author of the Report and/or the person responsible for the alleged violation, providing written justification for any independent decision not to proceed. In any case, whistleblowers acting in good faith will be protected from any form of retaliation or penalty and will be guaranteed maximum confidentiality, without prejudice to legal obligations and the need to protect the Company from persons accused erroneously or in bad faith.

#### 4.7.2. Information Obligations of the Supervisory Body

Given that the responsibility for adopting and effectively implementing the Model remains with the Company's Board of Directors, the SB reports on the implementation of the Model and on the occurrence of any critical issues.

In particular, the Supervisory Body is responsible to the Board of Directors for:

- promptly reporting any issues, where relevant, related to the activities carried out by the SB in relation to its duties;
- reporting annually on the implementation of the Model.

The Body may request to be summoned by the Board of Directors and Board of Statutory Auditors to report on the functioning of the Model or on specific situations. Meetings with the corporate bodies to which the SB reports must be minuted. Copies of these minutes are kept by the SB and the bodies involved in each case.

Without prejudice to the above, the Supervisory Body may also communicate, having assessed the individual circumstances:

- the results of its investigations to the managers of sensitive functions and/or areas if areas for improvement have come to light. In such cases, the SB must obtain from the relevant managers an action plan and timetable for the implementation of activities that can be improved, as well as the results of such implementation;
- reports to the Board of Directors and Board of Statutory Auditors of any conduct/actions that are not in line with the Model in order to:
  - a) obtain from the Board of Directors all the information necessary to communicate with the bodies responsible for assessing and applying disciplinary sanctions;
  - b) provide guidance on how to remedy the shortcomings in order to prevent a recurrence of the incident.

Finally, the SB is required to immediately inform the Board of Statutory Auditors if the violation concerns the Board of Directors.

In the context of annual reporting, the following aspects are addressed:

- checks and verifications carried out by the Supervisory Body and their outcome;
- any critical issues that have emerged;
- progress of any corrective and improvement measures to the Model;
- any legislative or organisational changes that require updates to risk identification or the Model;
- any disciplinary sanctions imposed by the competent bodies following violations of the Model;
- any Reports received from internal and external parties during the period regarding alleged violations of the Model or the Code of Ethics;
- the activity plan for the following period;
- other information deemed significant.

Meetings with the corporate bodies to which the Supervisory Body reports must be documented. The Supervisory Body is responsible for archiving the relevant documentation.

#### 4.7.3. Collection and Storage of Information

The SB is responsible for archiving and protecting all information, documents and reports collected in the performance of its duties, ensuring their confidentiality and compliance with privacy regulations.



## **5 Sanctions System for non-compliance with this Model and the rules and provisions referred to therein**

### **5.1 General Principles**

KIKO acknowledges and declares that the establishment of an adequate system of sanctions for violations of the rules contained in the Model and Procedures is an essential condition for ensuring the effectiveness of the Model itself.

In this regard, Article 6, paragraph 2, subsection e) of Legislative Decree 231/2001 stipulates that organisational, management and control models must *"introduce a disciplinary system suitable for sanctioning non-compliance with the measures set out in the model"*.

Pursuant to Article 2106 of the Italian Civil Code, with reference to employment relationships, this sanctions system supplements the provisions of the national collective agreement for Modern Organised Distribution (hereinafter also referred to as the **"CCNL"**) applied to the Company's staff.

Any violation of the rules of conduct and measures set out in the Model and related Procedures by KIKO employees, including managers, constitutes a breach of the obligations arising from the employment relationship, in accordance with current legislation and contractual provisions. More specifically, failure to comply with the rules and provisions contained in the Model and related Procedures damages the relationship of trust with KIKO and will result in disciplinary action. This also applies to the principles of timeliness and immediacy required for the imposition and dispute of sanctions, in compliance with the relevant laws in force.

Furthermore, in the event that any party with whom the Company enters into a contractual relationship (regardless of whether the relationship is formal or informal) violates the rules and provisions set forth in the Model and related Procedures, the contractual sanctions provided for in this sanctions system shall apply, the general principles of which shall be considered, for all legal purposes, an integral part of the contractual agreements in place with the parties concerned.

Finally, it should be noted that the application of the sanctions described in this sanctions system is independent of the outcome of any criminal proceedings, as the rules of conduct imposed by the Model and related Procedures are adopted by the Company in full autonomy and independently of the offences referred to in Legislative Decree 231/2001.

For the purposes of assessing the effectiveness and suitability of the Model in preventing the offences indicated in Legislative Decree 231/2001, the Model must identify punishable conduct, insofar as it is capable of constituting a criminal offence, as well as the related penalties.

The concept of a disciplinary system suggests the Company should establish a scale of applicable sanctions, based on the likelihood that certain types of conduct may amount to specific offences.

A disciplinary system has therefore been created which, first and foremost, penalises all breaches of the Model, from the most minor to the most serious, through a graduated system of sanctions and which, secondly, respects the principle of proportionality between the conduct committed and the sanction imposed.

By virtue of the principles set out above, the disciplinary power referred to in Legislative Decree 231/2001 is exercised (in the capacity of "Employer") by the Chief Executive Officer, following a Report and assessment by any person who has and/or will be assigned the relevant powers.

In particular, disciplinary power is exercised, with regard to employees, pursuant to Article 2106 of the Civil Code and, with regard to other Recipients of the Model, pursuant to specific clauses contained in the contracts entered into with them.

## **5.2 Definition of "Violation" for the Purposes of the Sanctions System**

By way of general example, the following constitutes a "**Violation**" of this Model and the related Procedures:

- the implementation of actions or behaviours that do not comply with law or the provisions contained in the Model and related Procedures, resulting in a situation involving even the mere risk of committing one of the offences covered by Legislative Decree 231/2001;
- failure to act or behave in accordance with the Model and related Procedures, resulting in a situation involving even the mere risk of committing one of the offences covered by Legislative Decree 231/2001;
- the implementation of actions or behaviours that violate the measures to protect individuals who, in order to protect the integrity of the Company, make Reports detailing unlawful conduct or violations of the Model and related Procedures, pursuant to Legislative Decree 231/2001;
- the submission of Reports detailing unlawful conduct or violations of the Model and related Procedures, pursuant to Legislative Decree 231/2001, made with malicious intent or gross negligence by the reporting person (whistleblower) and which prove to be unfounded following the required checks and controls;
- failure to carry out the checks and controls required in cases where the persons identified as recipients of the Reports receive a Report detailing unlawful conduct or violations of the Model and related Procedures, pursuant to Legislative Decree 231/2001.

## **5.3 Criteria for Imposing Sanctions**

The type and extent of specific sanctions will be applied in proportion to the severity of the violation and, in any case, based on the following general criteria:

- subjective element of conduct (intent, negligence);
- significance of the obligations breached;
- potential damage to KIKO;
- level of hierarchical responsibility or responsibility related to compliance with laws, regulations, orders or rules associated with the job position held by the person who committed the unlawful conduct;
- presence of aggravating or mitigating circumstances, with particular regard to any previous offences attributable to the perpetrator of the unlawful conduct;
- any sharing of responsibility with other employees or third parties in general who contributed to the Violation.

Where several offences punishable by different sanctions have been committed in a single act, only the most serious sanction shall apply.

In any case, disciplinary sanctions against employees must be imposed in accordance with Article 7 of Law 300/1970 (hereinafter referred to as the “**Workers’ Statute**”) and all other existing legislative and contractual provisions on the subject.

#### **5.4 Measures Concerning Non-Executive Employees**

Compliance with the provisions and rules of conduct set out in the Model constitutes fulfilment by the Company’s employees of the obligations set out in Article 2104, paragraph 2 of the Italian Civil Code; obligations of which the content of the Model itself represents a substantial and integral part.

It follows that any violation of the individual provisions and rules of conduct set out in the Model by Company employees always constitutes a disciplinary offence.

The predetermination of substantive and procedural rules, i.e. relevant disciplinary offences, sanctions corresponding to such offences and procedures for contesting the sanctions imposed, is entrusted to the collective labour agreements applied within the Company and in force at the time of the violation. These are the **CCNL per i dipendenti da aziende della Distribuzione Moderna Organizzata (DMO) (National Collective Labour Agreements for employees of Modern Organised Distribution companies)**, drawn up by **Federdistribuzione**.

Disciplinary measures and sanctions may be imposed on KIKO employees in accordance with the provisions of Article 7 of Law No. 300 of 20 May 1970 (known as the “Workers’ Statute”) and any applicable special regulations.

For non-executive employees, these measures are those provided for in the disciplinary rules set out in the respective national collective labour agreements and disciplinary codes applied, *unless – in consideration of the criteria set out in paragraph 5.3 – this constitutes a more serious offence.*

#### **CCNL – Distribuzione Moderna Organizzata (DMO) Agreement:**

- Verbal reprimand
- Written reprimand
- Fine not exceeding 4 hours’ basic pay
- Suspension from pay and service for up to 10 days
- Dismissal for justified subjective reasons (with notice)
- Dismissal for just cause (without notice)

Therefore, any violation of the rules set out in the Model or referred to therein, and in any case the commission (including attempted commission) of any criminal offence to which Legislative Decree 231/2001 applies, constitutes a disciplinary offence.

Failure to comply with current whistleblowing regulations also constitutes a violation of the Model.

In particular, the following measures shall apply:

- Employees who violate the internal procedures set forth or referred to in this Model – for example, by failing to comply with the prescribed procedures, failing to provide the Supervisory Body with the required information, failing to carry out checks – or who, in the performance of sensitive activities, engage in conduct that does not comply with the provisions of the Model itself, shall be subject to reprimands, fines or suspension.
- In any case, the following behaviours constitute serious offences:
  - o failure to comply with the obligations of “whistleblowing” and “information” regarding the



Supervisory Body as provided for in paragraph 4.3;

- unjustified or systematic failure to participate in training initiatives on topic 231 promoted by the Company;
- failure to comply with general protocols of conduct;
- failure to comply with the specific control protocols provided for sensitive activities in the specific section of this Model and the related information flows;
- the implementation of actions or behaviours that do not comply with the provisions of current legislation on whistleblowing and the related application procedure.

The sanction will be commensurate with the seriousness of the offence and whether it is a repeat offence (repeat offences will also be taken into account when determining any expulsion sanctions).

An employee who violates the procedural or behavioural rules set out in the Organisation and Management Model adopted pursuant to Legislative Decree No. 231/2001, causing damage to the company or engaging in conduct clearly aimed at committing a crime, shall be subject to dismissal for justified subjective reasons (with notice). Please refer to the provisions set out in the Collective Labour Agreement applied by the Company and in force on the date of the violation.

An employee who, in violating the procedural or behavioural rules set out in the Organisation and Management Model adopted pursuant to Legislative Decree No. 231/01, engages in conduct clearly intended to cause damage to the company or to commit a crime, such as to result in the application of the sanctions provided for by Legislative Decree No. 231/2001, shall be subject to dismissal for just cause (without notice). Please refer to the provisions set out in the Collective Labour Agreement applied by the Company and in force on the date of the violation.

Any report of a breach of the Model will result in disciplinary action being taken to investigate the breach. In particular, during the investigation phase, the employee will be notified of the charges in advance and will also be given a reasonable period of time to respond in their defence. Once the violation has been ascertained, the perpetrator will be subject to disciplinary action proportionate to the severity of the violation committed and any repeat offences.

It is understood that the procedures, provisions and guarantees set forth in Article 7 of the Workers' Statute and the collective agreement on disciplinary measures will be complied with in all cases.

With regard to the investigation of infractions relating to this Model, disciplinary proceedings and the imposition of sanctions, the powers already conferred on KIKO's management, within the limits of their respective delegated powers and competences, remain valid.

Sanctions and any compensation for damages shall be commensurate with the level of responsibility and autonomy of the employee, any previous disciplinary measures taken against them, the intentionality or degree of fault attributable to their behaviour, and the seriousness of the same, meaning the level of risk to which the company can reasonably be considered exposed – pursuant to and for the purposes of Legislative Decree no. 230/2003 231/01 – following the censured conduct.

The disciplinary system is continuously monitored by the HR Department with the support, where necessary, of the Supervisory Body.

Employees will be given immediate and widespread information about the introduction of new provisions. Every act relating to disciplinary proceedings must be communicated to the Supervisory Body for assessment and monitoring within its remit.

#### 5.4.1 Managers

In accordance with the provisions of the sectoral CCNL and Article 7 of the Workers' Statute, managerial staff are subject to both the disciplinary sanctions provided for in the sectoral CCNL and the disciplinary sanctions for violations of the Model and related Procedures in the individual employment contracts of the persons concerned and in the related supplementary agreements.

The greater severity of sanctions imposed on workers in managerial positions compared to other staff for the same violation can be explained by the higher degree of diligence and professionalism required by the position held.

When assessing the seriousness of the Violation committed by personnel with "Manager" status, KIKO takes into account the powers conferred upon and the technical and professional skills of the person concerned, with reference to the operational area in which the Violation occurred, as well as any involvement in the Violation, even if only in terms of mere knowledge of the alleged facts, of lower-level personnel.

If the violation of the Model results in a loss of trust between KIKO and the manager, the penalty shall be disciplinary dismissal for just cause.

Any manager who commits a violation or fails to fulfil a specific obligation to supervise subordinates shall be subject to the disciplinary measures referred to above.

### 5.5 **Company Summit**

In the event of a violation of the rules referred to in the preceding paragraphs by the Chairperson, the Chief Executive Officer or other members of the Board of Directors, the SB shall immediately inform the Board of Statutory Auditors and the Board of Directors itself, and, at the request of the Board of Statutory Auditors, a Shareholders' Meeting shall be convened to make the appropriate assessments and take the necessary measures.

### 5.6 **Statutory Auditors**

In the event of a Violation of the rules by one or more members of the Board of Statutory Auditors, the Supervisory Body shall inform the Board of Directors and the Board of Statutory Auditors itself, and, at the request of the Board of Directors, a Shareholders' Meeting shall be convened to make the appropriate assessments and take the necessary measures.

### 5.7 **Members of the Supervisory Body**

In the event of a proven violation of the provisions of the Model, including those of the documentation forming part thereof, by one or more members of the SB, the other members of the SB or any of the Statutory Auditors or Directors shall inform the Board of Statutory Auditors and the Board of Directors, which shall take the appropriate measures including, for example, the dismissal of the SB members who have violated the Model and the consequent appointment of new members to replace them, or the dismissal of the entire body and the consequent appointment of a new SB.

### 5.8 **Third Parties: Partners, Agents and External Consultants**

In the event of a Violation of the rules referred to in the preceding paragraphs by partners, agents or external consultants, or – more generally – by Third Parties, the Company, depending on the seriousness of the breach: (i) will remind the parties concerned to strictly comply with the provisions set out therein; or (ii) will have the

right, depending on the type of contract, to terminate the existing relationship for just cause or to terminate the contract for non-fulfilment by the aforementioned parties.

- a) To this end, KIKO has included specific clauses in contracts with Third Parties that provide for: Third Parties being informed of KIKO's adoption of the Model and Code of Ethics, the provision of a link to access the Code of Ethics and a declaration by Third Parties that they have read it and undertake to scrupulously comply with the ethical principles of behaviour and rules of conduct contained therein
- b) the right for the Company to terminate the contract pursuant to Article 1456 of the Italian Civil Code in the event of a violation of the aforementioned Code of Ethics for which Third Parties or its directors and/or managers and/or employees are liable, as well as in the event of indictment and/or conviction of its directors or managers for offences under Legislative Decree 231/2001.